

Seneca Sawmill Company

Highway 99 North at Airport Junction

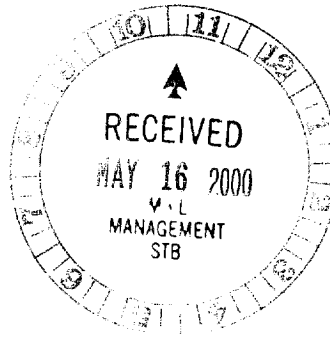
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May 15, 2000

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Surface Transportation Board
Office of the Secretary
Case Control Unit
Attention: STB Ex Parte No. 582
1925 K Street, NW
Washington, DC 20423-0001



Office of the Secretary

MAY 16 2000

Public Record

Re: STB Ex Parte No. 582 (Sub-No. 1)

Greetings:

Seneca Sawmill Company appreciates this opportunity to present our comments, concerns and suggestions to you with regard to the proposed restructuring of regulations pertaining to rail mergers, because a significant portion of our lumber is shipped by rail.

We have several specific concerns that we would like to address: Preserving and Enhancing Competition, Requiring Minimum Service Levels at Interchanges and Local Service, and Cross-Border Issues.

Preserving and Enhancing Competition

This issue is one of primary concern, because competition is the cornerstone of increasing economic efficiency in the United States. The number of major railroads operating in the United States has been reduced by 90 percent in the last 20 years. We will face a significant challenge in getting our product to a national market if there is a further reduction in the number of Class I carriers.

Whether or not additional consolidations are allowed, we think that there should be open information on pricing and service levels between the railroads and their customers. Whether it be delivery agreements or contracts regarding rates on equipment type, we would like to see all of those documents made available to the public. In our industry, we must compete with mills in other areas of the United States on many levels, with shipping being an important component of the manufacturing process. We prefer to compete based on our own efficiencies within our manufacturing facility. If some efficiencies occur to compel the railroads to make individual contracts, we have no objection to that; however, those contracts should be public, to let all manufacturers know what standards must be achieved to acquire the same advantage.

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Minimum Service Levels at Interchanges and Local Service

Because we rely upon the railroads to transport our product to market, establishing minimum service levels is of importance to us. Our mills produce a very predictable amount of board feet of lumber each day. An important part of our sales philosophy is to ship our product the day it is made, so it arrives at the customer's location clean and bright. To accomplish this goal, we must be assured that our method of transportation provides us with that ability. During a previous merger, we found ourselves with lumber stacked up in our yards while waiting for railcars to be switched in. We also faced a logistical nightmare when railcars became lost for weeks at a time. This experience made us even more aware of the fact that, under all circumstances, we must be able to count on a consistent level of service and availability of equipment. We are not interested in repeating the problems we experienced with the most recent merger.

Cross-Border Issues

The ownership of a United States rail line by a Canadian entity is a concern. The lumber markets in the United States are seriously affected by imported Canadian lumber. Because it is the history of the Canadian Government to subsidize their wood products manufacturing facilities, one of the most significant ways having been that of reducing rail rates, we do not want the form of that subsidy to manifest itself in the form of rail rate reductions. Some penalty or process mechanism needs to be in place to assure that these subsidies do not exist prior to any such merger being considered.

Thank you for the opportunity to provide input on these issues that are of critical importance, not only to our company, but also to hundreds of companies across the United States.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard T. Re', with a stylized, cursive script.

Richard T. Re
Vice President – General Manager

RTR:dme
Enclosures: 25 copies and a diskette of this letter